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Vecima Networks Inc.

TSX : VCM



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Vecima Reports Q1 Fiscal 2014 Results

VICTORIA, BRITISH COLUMBIA--(Marketwired - Nov. 12, 2013) - Vecima Networks Inc. (TSX:VCM), an experienced designer and manufacturer of innovative technology in the broadband equipment market, today reported financial results for the three months ended September 30, 2013. All figures are in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS") unless otherwise stated.

"Results in the first quarter were in line with our plan for fiscal 2014. We delivered on our stated focus with very strong gross margin and EBITDA," said Sumit Kumar, President and CEO. "A new customer win for the Terrace Family and the launch of our new digital video access platform were highlights in the first quarter."

FINANCIAL HIGHLIGHTS

<i>(CAD dollars in millions except percentages, headcount, and per share data)</i>	Q1FY2014	Q4FY2013	Q1FY2013
Revenue	21.7	21.8	24.7
Gross Margin	47%	45%	40%
EBITDA ¹	4.5	5.3	4.5
Net income	5.4	2.7	5.3
Earnings per share (based on weighted average number shares outstanding)	\$ 0.24	\$ 0.12	\$ 0.24
Cash and marketable securities	36.6	31.8	25.7
Headcount	555	571	619

¹ EBITDA does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures provided by other issuers. Accordingly, investors are cautioned that EBITDA should not be construed as an alternative to net income, determined in accordance with IFRS, as an indicator of our financial performance or as a measure of our liquidity and cash flows. For a reconciliation of EBITDA, investors should refer to Management's Discussion and Analysis for the current quarter. EBITDA is provided because it provides investors with an alternative measure of Vecima's financial performance.

MSO BUSINESS SERVICES

Terrace Family

- Sales increased to \$6.9 million from \$5.3 million in Q4 FY13.
- As demonstrated by leaders in the industry, the conversion to all digital has proven itself to be a key driver of network evolution as MSOs prepare for next generation services. We are seeing additional MSOs begin the conversion and we added a new large MSO customer in the first quarter. Our leading MSO customer, with whom we began the all-digital program for Terrace nearly four years ago, is in the mature phase of deployment. We expect sales from that lead customer to begin to decline in calendar 2014. As additional MSOs initiate their conversions to all digital, we expect Terrace Family sales to track to the proportionate size of these new customers.

Terrace QAM

- Sales decreased from \$6.6 million in Q4 FY13 to \$5.5 million this quarter. Two major MSOs are deploying this solution for hospitality markets today. Depending on the end market, demand from these customers can be variable. Sales from existing customers are expected to moderately decline and level off as we work to derive new MSO customer wins.

CABLE HEADEND

Digital Video Access Platform

- The first commercial shipment of our new digital video access platform occurred in Q1 representing stocking inventory at our OEM partner. In addition to its new features, the platform affords our OEM partner's customers both power and space savings over legacy solutions. Power consumption of our platform will be reduced by more than 60% and it will occupy less than 10% of the space of a comparable legacy solution. Throughout the first quarter, final approval testing was underway at three large US MSOs resulting in normal course refinements to the software. As these MSOs await approval, they are eager to purchase and deploy the solution.

"Vecima continues to enjoy a market leading position in the MSO business services segments where we sell our products. In the current delicate macroeconomic environment, we are witnessing service provider spending plans are in flux and in some instances are getting reprioritized. Our results will be dependent on our ability to capture new MSO customers while maintaining volumes with existing MSO customers for our current product lines," indicated Sumit Kumar. "We are excited about our new digital video access platform as well as the development progress on new products that are planned for future periods."

On November 7, 2013, Vecima was pleased to announce a special cash distribution of \$1 per common share. After we complete the distribution and close on the sale of real estate in downtown Saskatoon in December, we expect to have more than \$28 million in cash by the end of the calendar year.

CONFERENCE CALL

A conference call and live audio webcast will be held on November 12, 2013 at 1 p.m. ET to discuss the Company's first quarter results. Vecima's unaudited condensed interim consolidated financial statements and management's discussion and analysis for the three months ended September 30, 2013 are available under the Company's profile at www.SEDAR.com, and at http://www.vecima.com/financials_ir.php.

To participate in the teleconference, dial 1-800-319-4610 or 1-604-638-5340. The webcast will be available in real time at <http://services.choruscall.ca/links/vecima13112.html> and will be archived on the Vecima website at http://www.vecima.com/events_ir.php.

About Vecima Networks

Vecima Networks Inc. (TSX:VCM) designs, manufactures and sells products that enable broadband access to cable, wireless and telephony networks. Vecima's hardware products incorporate original embedded software to meet the complex requirements of next-generation, high-speed digital networks. Service providers use Vecima's solutions to deliver services to a converging worldwide broadband market, including what are commonly known as "triple play" (voice, video and data) and "quadruple play" (voice, video, data and wireless) services. Vecima's solutions allow service providers to rapidly and cost-effectively bridge the final network segment that connects the system directly to end users, commonly referred to as "the last mile", by overcoming the bottleneck resulting from insufficient carrying capacity in legacy, last mile infrastructures. Vecima's products are directed at two principal markets: Converged Wired Solutions and Broadband Wireless. The Company has also developed and continues to focus on developing products to address emerging markets such as Voice over Internet Protocol, fibre to the home and IP video. More information is available at our website at www.vecima.com.

Forward-Looking Statements

Certain statements in this press release may constitute forward-looking statements within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. These statements include but are not limited to statements regarding management's intentions, belief or current expectations with respect to market and general economic conditions, future sales, future shipping volumes, future cash position, revenue expectations, future costs, future operating performance, plans to sell non-core assets, and plans to continue to explore opportunities to maximize shareholder value, including the possibility of future cash dividends and distributions. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict, and/or are beyond our control. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These factors include, but are not limited to, the current significant general economic uncertainty and credit and financial market volatility and the distinctive characteristics of Vecima's operations and industry and customer demand that may have a material impact on, or constitute risk factors in respect of Vecima's future financial performance, as set forth under the heading "Risk Factors" in the Company's Annual Information Form dated September 26, 2013, a copy of which is available at www.sedar.com. In addition, although the forward-looking statements in this press release are based on what management believes are reasonable assumptions, such assumptions may prove to be incorrect. Consequently, readers should not place undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made. Vecima disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise, except as required by law.

VECIMA NETWORKS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited - in thousands of Canadian dollars)

	September 30, 2013	June 30, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 5,478	\$ 7,148

Marketable securities	31,166	24,699
Accounts receivable	14,518	13,442
Income tax receivable	4,762	4,762
Inventories	25,596	28,264
Prepaid expenses	1,555	936
	83,075	79,251
Non-current assets		
Property, plant and equipment	21,662	25,006
Assets held for resale	3,096	342
Intangible assets	12,248	12,176
Investment tax credit asset	31,128	30,286
Deferred tax asset	6,907	7,729
	\$ 158,116	\$ 154,790
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,972	\$ 9,973
Provisions	911	957
Income tax payable	346	281
Deferred revenue	1,380	1,331
Current portion of long-term debt	250	250
	10,859	12,792
Non-current liabilities		
Other long-term liabilities	259	306
Provisions	1,260	1,314
Long-term debt	3,146	3,229
	15,524	17,641
Shareholders' equity		
Share capital	12,183	12,183
Reserves	2,810	2,803
Retained earnings	127,599	122,163
	142,592	137,149
	\$ 158,116	\$ 154,790

VECIMA NETWORKS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited - in thousands of Canadian dollars except net income per share data)

	Three months ended	
	September 30,	
	2013	2012
Sales	\$ 21,656	\$ 24,668
Cost of sales	11,438	14,685
Gross margin	10,218	9,983
Operating expenses		
Research and development	2,181	1,898
Sales and marketing	1,457	1,141
General and administrative	3,922	4,267
Stock-based compensation	7	17
Other (income)	(3,943)	(4,136)
	3,624	3,187
Operating income	6,594	6,796
Finance costs	41	235
Finance income	229	39

Income before income taxes		6,782		6,600
Income tax expense		1,346		1,290
Net income and total comprehensive income	\$	5,436	\$	5,310

Net income per share

Basic	\$	0.24	\$	0.24
Diluted	\$	0.24	\$	0.24

Weighted average number of common shares

Shares outstanding - basic		22,322,422		22,317,339
Shares outstanding - diluted		22,332,312		22,323,849

VECIMA NETWORKS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited - in thousands of Canadian dollars)

	Share Capital		Reserves		Retained Earnings		Total	
Balance as at June 30, 2012	\$	34,482	\$	2,761	\$	103,001	\$	140,244
Net income and total comprehensive income		-		-		5,310		5,310
Shares issued by exercising options		2		-		-		2
Stock-based compensation		-		17		-		17
Balance as at September 30, 2012	\$	34,484	\$	2,778	\$	108,311	\$	145,573
Balance as at June 30, 2013	\$	12,183	\$	2,803	\$	122,163	\$	137,149
Net income and total comprehensive income		-		-		5,436		5,436
Stock-based compensation		-		7		-		7
Balance as at September 30, 2013	\$	12,183	\$	2,810	\$	127,599	\$	142,592

VECIMA NETWORKS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited - in thousands of Canadian dollars)

	Three months ended September 30,	
	2013	2012
Cash flows from operating activities		
Net income	\$ 5,436	\$ 5,310
Add (deduct) items not requiring cash		
Gain on sale of property, plant and equipment	(5)	-
Gain on sale of assets held for resale	(3,736)	(3,590)
Gain on sale of intangible assets	-	(353)
Depreciation of property, plant and equipment	786	1,175
Amortization of deferred development costs	600	555
Amortization of finite-life intangible assets	37	37
Stock-based compensation	7	17
Income tax expense	524	60
Deferred income tax expense	822	1,230
Interest expense	41	58
Interest income	(109)	(40)

(Decrease) increase in other long-term liabilities	(47)	146
Decrease in provisions	(100)	(101)
Increase in investment tax credit asset	(165)	(182)
Net change in non-cash working capital relating to operations	(889)	1,220
Interest paid	(27)	(46)
Interest received	108	37
Income tax paid	(550)	(887)
	2,733	4,646
Cash flows used in investing activities		
Purchase of property, plant and equipment	(589)	(638)
Proceeds from sale of property, plant and equipment	45	-
Proceeds from sale of intangible assets	-	363
Proceeds from sale of assets held for resale	4,078	3,988
Purchase of marketable securities	(8,470)	(14,008)
Proceeds on sale of marketable securities	2,003	-
Deferred development costs	(1,377)	(2,114)
Purchase of indefinite and finite-life intangible assets	(10)	(3)
	(4,320)	(12,412)
Cash flows used in financing activities		
Proceeds from shares issued on the exercise of options	-	2
Repayment of long-term debt	(83)	(62)
	(83)	(60)
Decrease in cash during the period	(1,670)	(7,826)
Cash and cash equivalents, beginning of period	7,148	19,549
Cash and cash equivalents, end of period	\$ 5,478	\$ 11,723

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